

## Message Text

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44

ACTION NEA-10

INFO OCT-01 EUR-12 ISO-00 NEAE-00 CIAE-00 DODE-00 PM-03

H-02 INR-07 L-03 NSAE-00 NSC-05 PA-02 PRS-01 SP-02

SS-15 USIA-15 SAB-01 AID-05 COME-00 EB-07 FRB-01

TRSE-00 XMB-04 OPIC-06 CIEP-02 LAB-04 SIL-01 OMB-01

STR-04 CEA-01 /115 W

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P R 281350Z JUL 75

FM AMEMBASSY CAIRO

TO SECSTATE WASHDC PRIORITY 5452

INFO AMEMBASSY BEIRUT

AMEMBASSY LONDON

UNCLAS CAIRO 7378

E.O. 11652: NA

TAGS: USEGJC EINV EFIN

SUBJECT: PEOPLES ASSEMBLY PASSES BANKING LAW

REF: CAIRO 5530, CAIRO 4774

1. IN MOVE SURPRISING MANY OBSERVERS, PEOPLES ASSEMBLY HAS REPORTEDLY PASSED NEW LAW JULY 28 MARKEDLY REVISING ENTIRE EGYPTIAN BANKING SYSTEM. LAW AS PASSED CONTAINS PROVISIONS PREVIOUSLY REPORTED REFTELS (EXEMPTING BANKS, INCLUDING CENTRAL BANK, FROM PUBLIC SECTOR RESTRAINTS ON HIRING, FIRING AND SALARIES; FREEING PUBLIC SECTOR COMPANIES TO DEAL WITH ANY EGYPTIAN BANK, ETC) AS WELL AS NUMBER OF ADDITIONAL PROVISIONS WHICH WERE PUT IN AT LAST MINUTE AS RESULT VARIOUS PRESSURES. PRINCIPAL AMENDMENT ALLEGEDLY REMOVED CENTRAL BANK FROM CONTROL OF ANY MINISTRY, AND MADE IT INDEPENDENT BODY. DETAILS OF LAW WILL BE REPORTED AND ANALYZED AS THEY BECOME AVAILABLE.

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2. INABILITY OF BANKING SYSTEM TO COMPETE WAS

CONSIDERED ONE OF PRINCIPAL CAUSES FOR DELAYS AND OBSTACLES IN PATH OF FOREIGN AND JOINT-VENTURE BANKS ATTEMPTING TO OPEN IN EGYPT. NEW LAW WILL EVENTUALLY OVERCOME THIS HURDLE, BUT SOME ADDITIONAL TIME MAY BE REQUIRED BEFORE EGYPTIANS FEEL THEY ARE READY TO FACE COMPETITION.

3. PASSAGE OF COMPLICATED AND POTENTIALLY CONTROVERSIAL BILL JUST 3 DAYS PRIOR TO END OF ASSEMBLY SESSION IS PROBABLY REFLECTION OF SADAT REGIME'S STRONGLY EXPRESSED DESIRE TO SHOW PROGRESS ON THIS KEY ISSUE. IN OPEN DOOR POLICY. WE ARE ADVISED THAT 80 PERCENT OF MEMBERS VOTED IN FAVOR OF LAW. MAESTRONE

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